

MINUTES OF MEETING

RHODE ISLAND AIRPORT CORPORATION

FINANCE AND AUDIT COMMITTEE

MONDAY, JUNE 29, 2015, AT 9:30 A.M.

**IN THE MARY BRENNAN BOARD ROOM,
T. F. GREEN AIRPORT, 2000 POST ROAD
WARWICK, RHODE ISLAND**

The meeting of the Rhode Island Airport Corporation (“Corporation”) Finance and Audit Committee was called to order by Chair of the Committee, Deborah M. Thomas, at 9:30 a.m., in the Mary Brennan Board Room at T. F. Green Airport, 2000 Post Road, Warwick, Rhode Island, in accordance with the notice duly posted pursuant to the Open Meetings Law.

COMMITTEE MEMBERS PRESENT: Deborah M. Thomas and Jon Savage.

COMMITTEE MEMBERS ABSENT: None.

BOARD MEMBERS PRESENT: Paul Carroll, Russell Hahn (arrived at 10:14 a.m.) and Michael Traficante (arrived at 10:16 a.m.).

ALSO PRESENT: Kelly J. Fredericks, P.E., A.A.E., President and CEO; and those individuals listed on the attendance sheet attached hereto.

1. Approval of the Minutes:

A motion was made by Mr. Savage and seconded by Ms. Thomas to approve the Minutes of the Finance and Audit Committee Meeting of June 1, 2015. The motion was passed unanimously.

2. Action Items:

(a) Consideration of and Action Upon Approval of the Fiscal Year 2016 Budget.

Mr. Fredericks commended Mr. Schattle, Ms. Williams, Mr. Goulart and the Finance Department for their hard work in preparing the budget submitted for approval.

Mr. Schattle gave an overview of the general framework of the submitted FY 2016 budget document including a narrative of RIAC's structure and major agreements.

Mr. Schattle gave an overview of the operating budget including airline revenues, concession revenues and parking revenues. Mr. Schattle stated the increase in the budgeted revenues versus the prior year is primarily driven by airline rates and charges and the inclusion of the costs associated with the Deicer Management Facility. It was noted enplanements are anticipated to flatten out for

the new fiscal year and the Cost Per Enplanement (CPE) increased to \$13.30 based on 1,800,000 enplanements. Mr. Schattle noted this CPE is comparable with other airports in the New England market and was discussed at a recent meeting with airline representatives.

Mr. Schattle provided an overview of non-airline rents and concession revenues noting strong agreement structures and relatively consistent trends. Mr. Schattle gave an overview of other revenue line items including tie down and hangar rents, fuel flowage fees, utility reimbursement, miscellaneous reimbursement, automobile parking and off airport courtesy fees. It was noted there the increase in off airport courtesy fees is based on the current agreement with off airport parking operators that includes a fee based on gross revenues, including revenues derived from ancillary services.

Mr. Schattle gave an overview of personnel expenses noting that the increase in overtime includes a Customer Service Ambassador Program instituted to provide assistance to international travelers. There was discussion on a volunteer program to provide assistance and Mr. Fredericks stated RIAC staff is currently researching options to provide these services. Mr. Schattle noted the budget assumes an expected increase for health insurance premiums.

Mr. Schattle gave an overview of general operating and maintenance expenses and noted benefits of the LED exterior and interior lighting

project are anticipated to be reflected this year. It was also noted that a solicitation process has begun for utility consultancy services which is assumed to reduce the supply rate for electricity as compared to the prior year. Mr. Schattle reported that utilities, including sewer expense, have increased from the prior year to reflect a full year of expense for the Deicer Management System. Mr. Schattle reported an increase in costs for rubbish removal due to specific guidelines and activity related to international trash removal.

Mr. Schattle gave an overview of general aviation revenue and expenses and noted there is a decrease in the anticipated net operating deficit due to a higher margin of fuel sales and corporate activity.

Mr. Schattle gave an overview of other income and expenses noting that RIAC is in the midst of major programs for the Airport Expansion Plan and the Noise Mitigation Program and the will receive federal grant funding from the Federal Aviation Administration for a portion of these expenditures. It was noted that the value of the land for the Noise Mitigation Program is capitalized. Mr. Schattle reported a placeholder has been added for potential costs of issuance related to the potential refunding of the 2005 Series Bonds and the potential issuance of new bonds in FY 2016.

Mr. Schattle gave an overview of the InterLink Facility and noted this facility has its own bond indenture and facility revenue stream. It was

noted these revenue streams include Customer Facility Charges (CFCs), rental car rental fees and commuter parking revenues. Mr. Schattle stated operating costs are relatively flat and revenues are slightly down due to decreased enplanements.

Mr. Schattle gave an overview of debt service. It was noted that the 2004 General Airport Revenue Bonds planned increase will be offset by the savings as a result of their refunding with Series 2015 Series A bonds and a reduction of the General Obligation Bonds debt service.

Mr. Schattle gave an overview of operating capital and noted that large pieces of equipment, including Airfield Plows and Snow Blowers, are budgeted to be replaced this year as they are at the end of their useful lives.

Mr. Schattle gave an overview on the Capital Improvement Program. Mr. Schattle reported several large projects such as the Deicer Management System, Runway 16/34 Safety Areas Project, Runway 5/23 extension and both land acquisition and sound insulation are included in the expenditures. There was additional discussion on general aviation projects included in the program.

There was additional discussion on budget assumptions as well as System Plan Updates and Master Plan Updates.

Ms. Thomas stated the numbers look consistent and improving for

2016 and shows that RIAC staff continues to manage expenses while building revenue despite decreased enplanements.

A motion was made by Mr. Savage and seconded by Ms. Thomas to approve the FY 2016 budget in substantially the form presented, subject to Board approval. The motion was passed unanimously.

(b) Consideration of and Action Upon Approval to Bind Insurance Policies that are Effective on June 30, 2013.

Mr. Schattle gave an overview of the policies noting he was pleased with the process and resulting competitive rates. It was also noted that an International Travel Insurance Policy was added this year based on senior staff overseas travel for air service marketing purposes. The recommendation is that the Committee authorizes the President and CEO, or his designee, to bind the insurance policies that are effective June 30, 2015 as recommended by Willis of Massachusetts, Inc. and RIAC management, subject to Board approval.

A motion was made by Mr. Savage and seconded by Ms. Thomas to approve the following resolution:

WHEREAS, the Rhode Island Airport Corporation (RIAC) is responsible for the maintenance and operation of airport facilities at the six Rhode Island airports; and

WHEREAS, RIAC carries General Liability Insurance, Aircraft Hull and Liability Insurance, Property Insurance, Automobile Insurance, Inland Marine (Mobile Equipment) Insurance, Workers' Compensation Insurance, Pollution Insurance, Flood Insurance, Storage Tank Insurance, Crime Insurance, Fiduciary Insurance, Cyber Insurance and Public Entity (D&O) Insurance policies; and

WHEREAS, all policies except for Pollution, Crime, Fiduciary, Cyber, Public Entity (D&O), Storage Tank and Flood have renewal dates of June 30, 2015; and

WHEREAS, RIAC utilizes the brokerage services of Willis of Massachusetts, Inc. (Willis) to competitively market its Insurance Program; and

WHEREAS, after an extensive renewal process, Willis and RIAC management recommend that the following policies be bound effective June 30, 2015; and

WHEREAS, RIAC's proposed fiscal year 2016 budget provides funding for these policies through its Operating & Maintenance (O & M) budget.

NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

That the Committee authorizes the President and CEO, or his designee, to bind the insurance policies that are effective June 30, 2015 as recommended by Willis of Massachusetts, Inc. and RIAC management, subject to Board approval.

The motion was passed unanimously.

3. Executive Session:

At approximately 10:12 a.m., a motion was made by Mr. Savage and seconded by Ms. Thomas to go into Executive Session for the purpose of discussing the following item:

(a) Motion to Approve the Minutes of the Executive Session held on June 1, 2015 - R.I.G.L. § 42-46-5(a)(1); and

(b) Discussion Related to Personnel (Job Performance) - R.I.G.L. § 42-46-5(a)(1); and

(c) Motion to Return to Open Session.

By the following roll call vote the motion was passed unanimously.

YEAS: Jon Savage

Deborah M. Thomas

NAYS: None

ABSTAIN: None

At approximately 10:32 a.m. a motion was made by Ms. Thomas and seconded by Mr. Savage to reconvene to the Open Session. The motion was passed unanimously.

4. Post Executive Session Actions and Announcements:

(a) Motion to Seal the Minutes of the Executive Session Held on June 29, 2015.

A motion was made by Mr. Savage to seal the minutes of the Executive Session in accordance with R.I.G.L. § 42-46-4.

By the following roll call vote the motion was passed unanimously:

YEAS: Jon Savage

Deborah Thomas

NAYS: None

(b) Report on Actions taken in Executive Session.

During the Executive Session, a motion was made by Ms. Thomas and seconded by Mr. Savage to approve the sealed minutes of the Executive Session held on June 1, 2015. The motion was passed unanimously.

(c) Consideration of and Action Upon Contract Amendment for the President & CEO.

A motion was made by Ms. Thomas that the Finance and Audit Committee recommend to the RIAC Board of Directors that the Board Chair be authorized to negotiate and enter with the RIAC President and CEO a contract amendment to implement the contract updates approved at the February 2015 Board meeting, to extend the term by one year, and to allow for a maximum of eight weeks of vacation carryover based on the discussions held in the foregoing executive session. Mr. Savage seconded the motion. The motion was passed unanimously.

5. Future Meetings:

The next Finance and Audit Committee will be held on Thursday, September 17, 2015, at 3:00 p.m., in the Mary Brennan Board Room, T. F. Green Airport, Warwick, Rhode Island.

6. Adjournment:

Mr. Savage moved to adjourn at approximately 10:35 a.m. The motion was seconded by Ms. Thomas.

Respectfully submitted,

**Deborah M. Thomas, Chair
Finance and Audit Committee of
the Rhode Island Airport Corporation**

**ATTENDANCE SHEET
RHODE ISLAND AIRPORT CORPORATION
FINANCE AND AUDIT COMMITTEE
JUNE 29, 2015**

Brian Schattle RIAC

Peter Frazier RIAC

Alan Andrade RIAC

Patricia Goldstein RIAC

Liberty Luciano RIAC

Doug Dansereau RIAC

Sherri Ann Penta RIAC

Jeff Goulart RIAC

Nancy Rogers Willis of Massachusetts

Robert Goff New England Parking

The minutes of the Executive Session of the Finance and Audit Committee of June 29, 2015 have been sealed in accordance with R.I.G.L. § 42-46-4.